

Performance and Changes Evaluation & Management: Ways of Development in Banking Institutions

Doinita BADIU

Academy of Economic Studies, Bucharest

Monica SUSANU

susanu_mmc@yahoo.com

Dunarea de Jos University of Galati

Abstract

As best as one can say from historical records, banking is the oldest of all financial-services professions. After a comprehensive history, that included both several decades of totalitarian regime and natural business and banks failures caused by the transitional process, Romania already developed a solid banking system, based upon new modern rules, following hard and thorough routes to catch-up the gap that communism created between the country and the other democratic economies. Usually, identifying a target represents only the beginning of development and consequently, changes. Development presupposes both establishing a purpose and a clear image of reality. Once we understand where we want to go and it is clear where we stand, we can become creative and move forward. The challenge we are facing is to constantly be aware of and to simultaneously understand the reality and our target. The distance between the current reality and the target creates a tension called creative tension, which is the beginning of another creative process during which changes are implemented and new performances are expected. But organizations are not static, they always experience various transformations. Any change, including office rearrangements, transformations of the production process by introducing a different technology and changes in the management are multiple causes, internal and/or external, and generate disorder or even radical turnovers. The issue below is an analysis of the performance evaluation and the corresponding steps that a banking institution manager should make in order to prepare changes and thus, to develop the organisation subsequently.

Keywords: banking, banking institution, performance management, changes management, motivation, criteria of performance evaluation, management of people

JEL Code: D 57, G 21, L 21, L 25

1. Performance management

Banking has a profound effect on our lives, influencing the availability of jobs, the cost of living and our savings for the future. However, banking as we know it today is rapidly becoming a quite different industry than in the past. Although banking services are crucial elements of support for our financial system, the structure of firms offering these services is continuously changing and this changing industry is about to unfold before us.

1.1. Creating as a manager in a banking system

Within the creation process, establishing targets generates a structural tension that helps us eliminating from our life the reactive behaviour that tends to eliminate actions. A judicious planning of tasks means also to prioritise the objectives to be reached along a certain interval and to assume the responsibilities regarding them. The objectives should be limited-term and with measurable results of the activities one is to perform. The high quality of the objectives is ensured by the following so called SMART characteristics (Specific, Measurable, Adequate, Relevant, and Temporal):

- *Specific* means that a specific objective is a much easier to reach than a vague or general objective. Thus, the objective has to refer to concrete actions.

- *Measurable* means that a specific objective is a quantifiable one; in other words, the person establishing an objective will be able to evaluate its progress.
- *Adequate* signifies that the objectives have to be formulated in such a way, that they could be reached, i.e. the person establishing the objective should have the ability to reach it. Inadequate objectives will have a negative impact on the person who cannot reach them.
- *Relevant* refers to the objectives that have an impact on the activity and the person that is to reach them. That particular person should have the feeling that reaching those objectives is for his/her own interest.
- *Temporal* is the characteristics of the objectives referring to a time - limit that can be honoured by the person that is to reach them. The time limit is necessary when controlling the process and correctly setting the successive requirements taking into account realistic time constraints.

1. 2. Creative tension

At the beginning of the creation process there is always a difference between *what* you want to create, and the current state itself. As the current state changes, this difference diminishes in order to obtain the result. The discrepancy between the result and the reality makes the *creative tension*, which fluctuates along the whole creative process. Most of the time we start building the desired result and then we notice a return to the initial state. As we are getting closer to the desired result, the tension between the *current state* and the *desired state* is getting smaller and consequently the actions are no longer as urgent as they used to be. We tend to ignore the obtaining of the result and we return to the initial state, where, again, the discrepancy appears between what we want and what we have as required action. This oscillation is present in many of our actions and it is the result of our fears regarding the obtaining of the desired result. These fears can be related to changes, or fear of success, or simply fear to modify the current equilibrium. A way of progressively going on towards obtaining the anticipated result is to eliminate the concepts and fears that we place between us and our actions.

1. 3. Offering feedback

Great importance is due to the feed-back that offers an image on the degree the objectives are more or less closer. There are different types of feedback:

a) *Feedback of support*, meaning positive, of consolidation, because it consolidates the efficiency or the desirable performance or even the behaviour; it focuses on the things that the employee does well, because it is both related to tasks (what he/she does) and to behaviour (how he/she does)

b) *Constructive feedback*, meaning redirecting or correcting the inappropriate performance or behaviour by presenting a viable alternative; it is also related to tasks (what he/she does) and to behaviour (how he/she does). Thus, the GROW model is very helpful as it offers efficiently feedback, that is objective and focussed on behaviour. The model also encourages communication both ways and cooperation in dealing with problems. Its name GROW comes from the following initials:

G: *Give*: gives feedback at the right moment and the right place

R: *Raw data*: describes the specific behaviour or the observed task

O: *Outcomes*: explains to or asks the employee about the impact upon the objective, the team or the company. It refers to the performance standard and observes the way he/she accepts feedback.

W: *What next*: the employee is asked what he/she will change the next time or he/she is encouraged.

Above all, the basic principles of a *performance feedback* mean creating positive work relationships, because this fact and a good work environment are crucial factors for a good performance management. As a leader, one should build such conditions within the team. To do this one needs time to talk with the employees individually. Positive relationships are developed, maintained and consolidated when applying fundamental behaviours such as: communication based on respect, integrity in action, focus on specific behaviours and active listening. On the other hand, creating a safe working environment is a necessary condition as well; in a constructive relationship with the direct manager, the employees need to feel safe when they assume risks and take some chances in

order to reach their objectives. It is a well known fact that an employee who does not feel supported will not act.

1. 4. Evaluating performance

When evaluating performance, there are certain steps to be made and facts to be taken into account.

The results of the evaluations are specific answers at the following questions:

1. what were the initial objectives, which of them have been or have not been reached;
2. what is the employee's vision of his/her own carrier;
3. what are the new objectives;
4. what are the manager's actions and the employee's actions done to reach the objectives, and, of course;
5. What are the next steps?

The multiple perspective feedback is offered by the so-called *360 feedback* that seeks proper answers at question related to *who* provides the feedback, what can be done in order to make this kind of feedback proficient and more efficient, and finally, how can make sure the employee is honest, trustworthy and offers the necessary support. The evaluation is based on the job description and on the performance standards. It is devised in cooperation with the employees and it contains both open and closed questions (hierarchies). It takes twelve persons that have direct knowledge of the employee's work, it ensures the anonymity and it is synthesized by the manager or the HR. The final report of evaluating performance should contain also the *suggestions*, since the organizational culture should be rather encouraging than punitive. But the results would better be separated from the evaluation process, compensation included, and used in planning the employee's development. In time, the collective results can be used for the general development of the organization. Recognizing and appreciating the work well done, meaning celebrating success, is the most powerful motivating factor for the employees' performance. Recognition may come in various shapes, among which financial rewards, public or social awards, festive moments, a thanking letter or free time - a. s. o. could be only a few examples.

1. 5. The management of people - motivation

It unanimously admitted the fact that any behaviour is aiming at something, a certain success. It is also accepted that the motive is the key element that triggers the behaviour. Man is not only a "reactive" system but an "active" one as well, capable not only of reacting to the incitements of the environment, but also of acting upon it, of having his/her own activity, relatively independent of external influences, of emitting certain expectations regarding the environment and of assimilating it according to his/her external dynamics. The fundamental aspect of this activism is represented by motivation.

The mechanisms of gathering and processing the information work during the person's activity and they are based on a genetically determined nervous structure. During this activity the perception is organized, the skills are formed, the content of the long-term memory is stored, and the most general adapting practices are built. Human behaviour should be looked upon as a *guided activity*, and not as a *random reaction*, as long as, to a great extent, the purpose is the instruments which regulates this guidance.

The structure of the organizational motivational system is set according to the place taken in the structure of the performance management, and one can distinguish the following types of *motivation*:

- a) *Intrinsic motivation*, whose characteristics derive from the tasks and the content of the activity, and the extrinsic motivation, whose elements are related to the external effects or factors which give dynamism to the activity. This classification has great operational value for managers as it is well known that, in general, the efficiency of the intrinsic motives is higher than that of extrinsic ones.

- b) *Stimulating motives* – such as praise, encouragement, objective appreciation, inter-human relationships, respect of personal opinions, logical and systematic organization of the information, and *inhibitive motives* – such as contradictory situations, fear of being penalized, subjective appreciation, indifference, routine.
- c) *Adaptive motives* (of positive sign) and *maladaptive motives* (of negative sign), having a bipolar character given by the evaluation system, the type and structure of training methodology, coaching, mentoring; the degree of dissatisfaction generated in the employee's personality by a certain type of intra/inter-departmental/organizational relationships;
- d) *High, medium and low motivation*, that means a classification of the degree of involvement, the state and structure of the team/department/organization and in various situations of development, of professional training.

There are many and different categories of professional, cognitive, social and moral, individual (personal), material or relational motives. Their dynamics varies according to the employees' age and gender, the significance and meaning the team/organizational activity gains for their entire universe of life. Accordingly, there are many and different criteria of motivation, concerning the opportunity to develop, study, and promotion, flexible hours, recognition, opportunity to contribute – to be part of the team, to work closely to the managers and management, to be involved in key decision-making, to be listened, independence and autonomy.

Nevertheless, a series of rules of motivating the employees are to be borne in mind, concerning clear objectives, predictable expectations, the existence of a feedback system, recognition of success, eliminating threats and individual accountability.

1. 6. Strategies of raising performance

Efficient managers know that learning does not stop once the employees reach their objectives. Learning is a continuous process. Establishing new objectives, continuous development of abilities and providing follow-up sessions will permanently improve performance. A good manager facilitates and encourages thinking and independence. Such a manager would rather *ask questions* when necessary than *tell what to do* in order to encourage analysis, reflection and problem solving. The most frequently seen method of employee development is that of establishing internal activities. *Additional tasks or projects* mean that those employees who manage easily the current tasks have the opportunity to take new responsibilities or projects. *Documentation activity* is a methodology that allows the employee to choose a field of interest and work there as an objective of his/her own performance. In general, the employees spend time at work doing investigations in that particular field and reporting the results to the manager. Also *internal training* is meant to encourage continuous learning and permanent development of skills, making sure that the employees attend regularly certain internal programs. Most often than not, the employees pay more attention to the development of technical knowledge and neglect the *soft skills* (communication and leadership).

Planning the success is another method of development. Once the employee records success in his/her current position, the majority of organizations identify them as potential candidates for promotion. Sometimes, they refer to these individuals as *high potential employees* and appropriate measures are taken so that they benefit from development opportunities. The most usual methods are: job shadowing, mentoring, corporation financed external trainings, special projects, special internal training programs. Another method of development is represented by external activities. Professional associations – as the employees gained a certain degree of comfort in their work and become capable of assuming more projects or tasks, they will be encouraged to develop those skills that are specific to the profession and industry they work in. This is frequently done by affiliating to a professional association. The employees participate in events specific to the industry and voluntarily activate special committees – a very good way of establishing, developing and consolidating contracts.

Involvement at community level is a way of development that makes the connection between the organization and the common initiatives. The employees are encouraged to choose a charity or

other kind of association in which the community is interested in, in order to support local initiatives. Although sometimes expensive, sponsoring the employees' participation in important conferences and similar events may be very useful. It can get them in touch with the opinion leaders in their field of expertise; it can give them the opportunity of making formal presentations and meeting people that they would not otherwise get in touch with.

People often take positions they are not formally trained for. If so, *professional designations* represent the next step for someone who has proven the ability to responsibly manage the work. Organizations often allow this kind of sponsorships as long as the person in case commits to staying in that organization for a certain number of years.

2. Changes management

The organizations are not static, they are living structures and thus they always experience various transformations. Any change, including office re-arrangements, transformations of the production process by introducing a different technology and even changes in the management are multiple internal and/or external causes and factors that generate disorder or even radical turnovers.

2.1. External and internal factors that generate change

The changes experienced by an organization may be determined either by external or internal factors.

The internal factors which determine the necessity of change are *endogenous*, i. e. they are generated from within the organization, they are borne by some essential requirements of a good management and they include:

- the need of a higher control over the operative activities
- the need for managers and personnel to be more precisely informed
- the need of a unitary informational system for the information management
- the need to improve the maintenance activities and to reduce the associated costs

The external factors are *exogenous*, meaning that in general they are out of the manager's control, such as the integration of a bank into powerful financial group or the necessity of companies' profitability and self-financing. As in the case of the external factors, the changes produced by the internal factors vary in amplitude and complexity. Some are relatively minor, other exert vast effects on the organization. But the main differences reside in the degree of control the manager or the organization in its entirety has over the changes. The analysis of the field of forces represents a way of approaching the change through identifying the factors that either contribute to its promotion, or oppose it. The purpose of identifying the factors in balance (or unbalance, which leads to the appearance of changes) is to build a general picture of the area affected by the change. During the changes process, the situation may experience unbalance, according to the power of the antagonistic forces. This unbalance gives the sensation of a temporary lack of control over the change. The fact that at the beginning and at the end of the change process the situation is balanced is the most pertinent attribute.

Forces which generate change → S I T U A T I O N → Forces which oppose change

There are three cases in which this analysis can be applied.

- *Before* the change, in order to evaluate the current situation and the factors that determine the unbalance and, consequently, the wish for change; then
- *During* the change, when the situation is replaced with the change scenario, in order to identify the factors of progress and regress of the initiated process, and, finally,
- *After* the change, in order to re-evaluate the new forces in balance in the new situation.

While the forces that *generate change* can be grouped into material motivation, threats, the wish to do good, complaints of the customers, the management's wish for performance or pressures from the sponsors, the forces which *oppose change* are: lack of knowledge about change, lack of personnel and lack of motivation, insufficient training and lack of confidence in the results of the change.

One can identify various forces at various moments of the change, such as:

- the phase of adapting the system
- the phase of implementing the system
- the phase of developing the system

The most desirable way of facilitating change is to turn the forces that oppose changes into opportunities that favour them and the most frequent ways of doing this could include, for instance, active listening to the points of view expressed by those who constitute the opposing forces. In that case, taking them seriously will lead to a diminished influence on their behalf. On the other hand, any opposing force contains a positive part and a negative part – the former has to be discovered. But the essential element to mitigate the opposite trends is to concentrate on the forces that generate change in order to totally counteract those which oppose change.

2. 2. The necessity of communication during change

People seem to reject change almost instinctively. Sometimes is enough only to hear that a change is about to happen and people are already worrying and this feeling is growing if they are deprived of solid information regarding what will happen to them. If the lack of information persists, people have the tendency of opposing because they assume that the change will affect them in a negative manner. Therefore, only a fair and solid communication of the change proposal towards all parties involved may play an essential role in limiting opposition. Resistance to change tends to manifest differently from individual to individual. The most visible demonstration of resistance is the individual's or the group's total backing off from the duties of the job. Another reaction is either a qualitative or quantitative decrease of performance, an increase of absenteeism and non-observance of the working hours, an increased number of complaints and demands.

During the process of change, lack of communication can make the negative effects worse. Therefore, communication during change is of paramount importance. The effectiveness of this communication is based on three main following principles:

- a) *Silence is not gold*, especially when there are not at all the precise answers. In the absence of the proper information, people tend fill the gap with their own suppositions. Minor events are given major interest, or events, that otherwise have no connection whatsoever to the change, may become causes and thus create unanticipated effects.
- b) *One should know what each and every one wants to hear*. Normally, the employees want to know first of all how changes will affect the security of their job, their income, or their personal influence, and their authority and career opportunities as well. On the other hand, the clients want to be informed about the changes regarding price, quality, services, delivery time, payment policies, and alternative supplying sources. In their turn, the suppliers are interested in information related to the necessity of making new offers, new payment policies or adjustments of the existing contracts, changes of the ordering mechanism. Finally, the investors and financial analysts want to know the valid reasons for which the managers decide to make the change and whether the change will result in short-term financial gains.
- c) *An integrating strategy of informing* in the changes is necessary and its basic principle is to identify all the parties involved and the most urgent issues that they need an answer for, in order to counteract the possible immediate resistance.

2. 3. The analysis of the management of change

A system is made of components; it represents an assembly of components that are connected in an organized manner. Some components of the system form other sub-systems which can be sub-summed in a larger system. Some systems are more clearly defined than others, i.e. they have clearly cut boundaries.

The three major phases of the management of changes are as follows, accompanied by the types of specific charts necessary in their analysis:

- * *Description/diagnosis* – uses a system maps, consisting of an Inputs-outputs chart
- * *Analysis* – that uses the influences chart as forces chart, and finally,

* *Planning/implementation* - is based on a system map of the new situations, i.e. bar charts, according to the GANTT method.

Clarity, logic and synthesis are some of the outstanding benefits of using these charts. Clarity derives from the facts that the charts are used to clarify situations, processes and problems. Logic, because the charts help us establish logical connections between problems provided they are used with logical persistence. In other words, charts have to be at the same level of analysis and the important activities should not be placed at the same level with the insignificant ones. Synthesis, since they help synthesising situations in single complex and complete picture. Drawing a system chart helps in marking the initial problems and in describing the situation at a certain level and it also means selecting an area of interest and identifying the main systems within it. The system charts relate Clients with Trainers and Partners, or it can relate Competition, with Finances and administration, or the economic environment with the Managerial team. The input-outputs charts help identifying the potential results of some input changes. They are used to represent the necessary inputs for a process to produce the desired outputs. On the other way round, if we know which outputs we want the system to produce, we can identify the necessary inputs. The influences chart is similar to system charts but it also indicates the influences that different components of the system or of the environment could exert upon the system. This chart can be used in analysing the change situation.

The forces chart shows the forces that either oppose or support change, for instance:

Forces generating changes:

Workplaces created	Decrease of the internal production	Laws regarding private property protection	Desire of SME management	Pressure from the international organizations	Pressure from SME owners
--------------------	-------------------------------------	--	--------------------------	---	--------------------------

Introduction of SME related laws:

Lack of entrepreneurs	Lack of funds	Little resources for starting a business	Insufficient training	Lack of trust in the economic system
-----------------------	---------------	--	-----------------------	--------------------------------------

Forces opposing change:

The bar chart (GANTT) is an instrument used in the implementation of change because it synthesises the activities that are to take place within the change and it groups them on a time line.

Activities	1 st month	2 nd month	3 rd month
<i>Organizing information meetings/briefings</i>			
<i>Training personnel</i>			
<i>Completing the system adaptation</i>			

Conclusions

As regards possible lessons that could be drawn from the experience of our new banking system, a successful and effective code of conduct seems to be necessary on our market, as well as for the current international policy debate on global financial regulation. The incentive structures of a code, as well as the reputational effects of good practices, are important elements that should be borne in mind when designing such a tool.

Moreover, we agree with the pertinent opinions that an appropriate balance between a code's generality and its degree of specificity could improve the activity of the whole banking system, not only in our country. Recently, with some depository institutions merging or failing in the United State, Europe and Asia, greater concern has been expressed about the future of traditional banking. Even for those traditional banks that have survived failures and mergers there is evidence that

banking's share of the market for financial services is declining. There are many reasons for which a special scrutiny is required in this field, comparing to the other economic activities. Firstly, they are the principal institutions holding the public's savings, and unregulated chartering activity might result in excessive numbers of poorly capitalised banks that fail. Secondly, banks are at the heart of the payments process to support trade and commerce, so their failure could disrupt business activity. And thirdly, banks create more money (immediate spending power) than any other financial institution, which suggests that chartering too many banks might result in excessive money creation and inflation. Taking into account the diversity of risks that penetrate in the contemporary economy, changes are a continuous challenge for all the organisations, but especially for the banking institutions. That is why the evaluation of the performance management and the management of changes are the first priorities in the activity of all the firms, but nevertheless for the present bankers, all the more in a young and fragile banking system as it is ours.

References

1. Drucker P. (1974), *Management: Tasks, Responsibility, Practices*, Heinemann, London;
2. Maslow A. (1954), *Motivation and Personality*, Harper Colling Publisher, New York;
3. Nicolescu, O., Verboncu, I. (2001), *Management*, Economica Publisher, Bucuresti;
4. Nicolescu, O., Verboncu, I. (1994), *Management and Efficiency*, Nora Publisher, Bucuresti;
5. Nicolescu O, Verboncu I. (2001), *Fundamentals of Management Organisation*, Tribuna Economica Publisher, Bucharest;
6. Panisoara G., Panisoara I. O. (2004), *Human Resources*, Polirom Publisher, Iasi;
7. Peter S. Rose, Sylvia C. Hudgins (2005), *Bank Management & Financial Services*, McGraw – Hill, 6th International Edition;
8. Watson G.H. (1993), *Strategic Benchmarking: How to Rate your Company's Performance against de World*, McGraw-Hill, New York.
9. Raymond Ritter (2009), *Transnational Governance in Global Finance The Principles For Stable capital Flows and Fair Debt Restructuring in Emerging Markets*, ECB Occasional Paper Series, NO 103;
10. Anna Maria Agresti, Patrizia Baudino, Paolo Poloni (2008), *The ECB and IMF Indicators for the Macro-Prudential Analysis of the Banking Sector: a Comparison of the Two Approaches*, ECB Occasional Paper Series, NO 99.